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AUG 7 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

August 7, 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Ex Parte Submission, CC Docket Nos. 96-45 and 00-256

Dear Ms. Salas:

Please find attached two documents, one of which was delivered yesterday to facilitate conversation in connection with the proceedings noted above. The second one is in response to a request that the companies further illustrate the points of the actual discussion.

On August 6, 2001, Chuck Fast of Consolidated Companies Cindy Bittinger of Clarks Telecommunications Company, Ken Pfister of Great Plains Communications, Sue Vanicek of TELEC Consulting and Lisa Zaina of Wallman Strategic Consulting, LLC had a telephonic meeting with Jane Jackson, Chief of the Competitive Pricing Division (CPD) to discuss issues related to the Multi-Association Group (MAG) Plan.

The parties discussed many issues relating to the Commission's review of the MAG proposal. The participants stressed that it is critical to rural companies to ensure that access rates are maintained to cover the costs associated with interexchange traffic and make a reasonable contribution to joint and common costs. The companies also stressed that the Transport Interconnection Charge (TIC) recovers real costs associated with transport. This is an important fact to take into consideration as many small companies across the country have extensive service areas and thus large transport requirements that make the TIC a critical portion of their interstate revenue requirements.
Moving all or part of this TIC to the common line element for rural companies is not a reasonable proposal for rate of return companies simply because the Commission determined it was appropriate for price cap companies. We discussed that at this point the current record in the above-captioned proceeding supports no changes beyond increasing the SLC by the CALLS/MAG levels and reducing the CCL by a comparable amount. Finally, we discussed the negative effects on rural consumers of the Rural Consumer Choice plan as presented to the FCC.

In accordance with the Commission's rules, I submit two copies for the record in each proceeding captioned above.

Respectfully submitted,

Lisa M. Zaina
Vice President

Copy:
Jane Jackson, Chief, CPD

CLARKS TELECOMMUNICATIONS CO.
Clarks, Nebraska

CONSOLIDATED COMPANIES
Lincoln, Nebraska

GREAT PLAINS COMMUNICATIONS
Blair, Nebraska

August 6, 2001

- Introduction

- For "very" rural companies it is especially important that access rates be maintained to cover costs associated with interexchange traffic and make a reasonable contribution to joint and common costs.

- The transport revenue requirement, of which TIC is a major portion, is a significant part of the interstate revenue requirement for ROR carriers. Any action affecting this revenue should be carefully considered.

- Moving all or part of the TIC to common line is not a reasonable proposal for ROR companies. ROR companies are different than price cap companies.

- The FCC has not yet adopted a clear standard for the determination of subsidies in access charge rates. The FCC has little, if any, record as to what constitutes subsidies in access among ROR carriers.

- A program to increase SLCs to the CALLS/MAG levels and reduce CCL by a like amount appears to be a reasonable measure to take based on the current record.

- This solution to ROR access reform would produce benefits for consumers, while the Rural Consumer Choice plan would not.

DISCUSSION POINTS OF
NEBRASKA COMPANIES/FCC CONFERENCE CALL
AUGUST 6, 2001

- **The Transport Interconnection Charge (TIC) recovers real costs associated with transport.**
    - The TIC was developed to recover the difference between facility-based rates and those that were initially established under the "equal charge rule." Prior to establishment of the TIC all transport costs were recovered from transport rates per minute of use.
    - The TIC rate is based on a transport revenue requirement that includes direct investment associated with interexchange facilities, direct expenses, and a contribution to overhead.
    - The transport revenue requirement does not contain any loop or common costs, therefore, the TIC does not contain any common line costs.

- **Many rural rate-of-return ("ROR") companies, like those in Nebraska, have extensive service areas with large transport requirements and rely on the TIC as a significant portion of their interstate revenue requirement.**
    - Price cap carriers have their own access tandems which are located in major population centers, minimizing the average distance from the majority of their customers to the access tandem and hence their costs. On the other hand, ROR companies such as those in Nebraska are often located a great distance from access tandems, increasing their transport costs. For example, Consolidated Companies' customers are on average located 140 miles from an access tandem.
    - Not only do rural ROR companies in Nebraska have the problem of long distances to access tandems, they also have low volumes of traffic traversing their transport facilities, which further increase their transport costs per minute.
    - In order to serve 63 exchanges spread throughout its 13,600 square mile service area, Great Plains Communications has made a significant investment in over 800 miles of interexchange fiber.
    - Great Plains Communications currently recovers 72 percent of its transport revenue requirement through the TIC. TIC revenue also represents over 16 percent of Great Plains' total interstate revenue requirement. Great Plains is one example of a rural company with substantial reliance on the TIC for cost recovery.

If the TIC was "remapped" for ROR companies as the FCC did for price cap companies, a significant portion is likely to remain, and thus treatment of the "residual" TIC in the same manner would not be appropriate.

- Price cap and ROR regulation are based on two different sets of rules. Therefore, attempting to overlay access reforms, including TIC remapping, on ROR carriers would not be workable, as this is an apples to oranges comparison.
- For price cap companies, the residual TIC, or the portion left after remapping some portions of it, was largely eliminated by the X factor and did not move to PICC or common line for many companies. However, since many ROR companies do not have access tandems, remapping will leave them with a much larger residual TIC, which should not be treated in the same manner.
- Moving the residual TIC revenue requirement for ROR companies to carrier common line ("CCL") is not the proper means to recover such costs, since the investments made to provide the transport costs recovered through the TIC were made solely to serve interexchange carriers.
- ROR companies should continue to recover a portion of their transport costs from a TIC element, or risk not being able to make investments in transport-related plant that is vital to their remote service areas.